

Mr. Brian Oldaker, Director of Reimbursement
Life Care Centers of America
3570 Keith Street, NW
Post Office Box 3480
Cleveland, Tennessee 37320

Re: AC# 3-LCC-J7 – Life Care Center of Columbia

Dear Mr. Oldaker:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Mr. Brian Oldaker, Director of Reimbursement
Life Care Centers of America
3570 Keith Street, NW
Post Office Box 3480
Cleveland, Tennessee 37320

Re: Draft Report – AC# 3-LCC-J7 – Life Care Center of Columbia

Dear Mr. Oldaker:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to Mr. Jay S. Von Kannel, CPA, regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director
Division of Home Health and Nursing Home Services
Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

Re: Draft Report – AC# 3-LCC-J7 – Life Care Center of Columbia

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact Mr. Jay S. Von Kannel, CPA, within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Mr. Jeff Saxon
Mr. Robert M. Kerr

LIFE CARE CENTER OF COLUMBIA

COLUMBIA, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1998
AC# 3-LCC-J7**

REPORT ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 31, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Life Care Center of Columbia, for the contract periods beginning October 1, 1998, and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Life Care Center of Columbia, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Life Care Center of Columbia dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
January 31, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

LIFE CARE CENTER OF COLUMBIA

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1998
AC# 3-LCC-J7

	10/01/98- <u>11/30/98</u>	12/01/98- <u>09/30/99</u>
Interim reimbursement rate (1)	\$94.07	\$94.82
Adjusted reimbursement rate	<u>93.62</u>	<u>94.37</u>
Decrease in reimbursement rate	\$ <u>.45</u>	\$ <u>.45</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000.

LIFE CARE CENTER OF COLUMBIA
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1998 Through November 30, 1998
AC# 3-LCC-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$49.29	\$45.26	
Dietary		10.35	9.44	
Laundry/Housekeeping/Maint.		<u>6.55</u>	<u>7.70</u>	
Subtotal	\$ <u>-</u>	66.19	62.40	\$62.40
Administration & Med. Rec.	\$ <u>-</u>	<u>11.64</u>	<u>10.38</u>	<u>10.38</u>
Subtotal		77.83	<u>\$72.78</u>	72.78
<u>Costs Not Subject to Standards:</u>				
Utilities		3.43		3.43
Special Services		(.02)		(.02)
Medical Supplies & Oxygen		3.19		3.19
Taxes and Insurance		1.81		1.81
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$86.24</u>		81.19
Inflation Factor (3.60%)				2.92
Cost of Capital				9.26
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-on				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$93.62</u>

LIFE CARE CENTER OF COLUMBIA
Computation of Adjusted Reimbursement Rate
For the Contract Periods December 1, 1998 Through September 30, 1999
AC# 3-LCC-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
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TOTAL		<u>\$86.24</u>		81.19
Inflation Factor (3.60%)				2.92
Cost of Capital				9.26
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage and CNA Add-ons				<u>1.00</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$94.37</u>

LIFE CARE CENTER OF COLUMBIA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-LCC-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,361,481	\$ 40,136 (5)	\$ 57,878 (6) 40,135 (6)	\$2,303,604
Dietary	483,817	107,312 (5)	107,312 (6)	483,817
Laundry	67,529	14,978 (5)	14,977 (6)	67,530
Housekeeping	168,104	55,629 (5)	52,878 (6)	170,855
Maintenance	66,350	22,676 (5)	21,282 (6)	67,744
Administration & Medical Records	539,835	18,368 (4) 56,110 (5) 12,091 (5)	67,138 (6) 15,425 (6)	543,841
Utilities	158,344	51,773 (5)	49,584 (6)	160,533
Special Services	(927)	-	-	(927)
Medical Supplies & Oxygen	168,084	-	18,368 (4) 403 (6)	149,313
Taxes and Insurance	85,293	24,563 (5)	25,409 (6)	84,447
Legal Fees	-	-	-	-
Cost of Capital	434,432	29,767 (3) 41,324 (5)	41,619 (1) 10,419 (2) 16,890 (6) <u>3,936 (7)</u>	432,659
Subtotal	4,532,342	474,727	543,653	4,463,416

LIFE CARE CENTER OF COLUMBIA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-LCC-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	132,734	-	-	132,734
Non-Allowable	6,605,976	41,619 (1) 10,419 (2) 469,311 (6) <u>3,936 (7)</u>	29,767 (3) 426,592 (5)	6,674,902
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$11,271,052</u>	<u>\$1,000,012</u>	<u>\$1,000,012</u>	<u>\$11,271,052</u>
Total Patient Days	<u>46,735</u>	<u>-</u>	<u>-</u>	<u>46,735</u>
Total Beds	<u>132</u>			

LIFE CARE CENTER OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-LCC-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 172,334	
	Other Equity	874,736	
	Nonallowable	41,619	
	Fixed Assets		\$1,047,070
	Cost of Capital		41,619
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Accumulated Amortization	8,797	
	Other Equity	46,591	
	Nonallowable	10,419	
	Loan Cost		55,388
	Cost of Capital		10,419
	To adjust loan cost and related amortization HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	29,767	
	Nonallowable		29,767
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
4	Medical Records	18,368	
	Medical Supplies		18,368
	To reclassify expense to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk		

LIFE CARE CENTER OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-LCC-J7

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
5	Restorative	40,136	
	Dietary	107,312	
	Laundry	14,978	
	Housekeeping	55,629	
	Maintenance	22,676	
	Administration	56,110	
	Medical Records	12,091	
	Utilities	51,773	
	Taxes and Insurance	24,563	
	Cost of Capital	41,324	
	Nonallowable		426,592
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
6	Nonallowable	469,311	
	Nursing		57,878
	Restorative		40,135
	Dietary		107,312
	Laundry		14,977
	Housekeeping		52,878
	Maintenance		21,282
	Administration		67,138
	Medical Records		15,425
	Utilities		49,584
	Taxes and Insurance		25,409
	Medical Supplies		403
	Cost of Capital		16,890
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

LIFE CARE CENTER OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-LCC-J7

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
7	Nonallowable Cost of Capital	3,936	3,936
	To adjust capital return State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>2,102,470</u>	\$ <u>2,102,470</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

LIFE CARE CENTER OF COLUMBIA
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-LCC-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>132</u>
Deemed Asset Value	4,497,108
Improvements Since 1981	52,059
Accumulated Depreciation at 09/30/97	<u>(460,589)</u>
Deemed Depreciated Value	4,088,578
Market Rate of Return	<u>.067</u>
Total Annual Return	273,935
Return Applicable to Non-Reimbursable Cost Centers	(10,393)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>10,221</u>
Allowable Annual Return	273,763
Depreciation Expense	160,382
Amortization Expense	15,408
Capital Related Income Offsets	(4)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(16,890)</u>
Allowable Cost of Capital Expense	432,659
Total Patient Days (Minimum 97% Occupancy)	<u>46,735</u>
Cost of Capital Per Diem	\$ <u><u>9.26</u></u>